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ABSTRACT

This document, which is based on a symposium devoted to capitalizing on the new work force, contains five reports describing how major U.S. corporations are dealing with the demographic changes currently under way in the United States. "Whither the Work Force?" (Delores Wolf) discusses the proper role of corporations in coping with a lack of resources. The way Allstate Insurance uses the strength of diversity to benefit its business is described in "Managing Diversity: A Full-Time, Top-down Commitment" (Wayne E. Hedien). "Making Sure Diversity Works at US WEST" (Richard D. McCormick) expresses the opinion that some companies (and executives) must be prodded into appreciating diversity. "Turning Diversity Into Opportunity," (Lawrence Perlman) describes how a more culturally diverse work force enhanced the company's transition from production to service. Various business developments inhibiting and facilitating diversity are examined in "Will Diversity Win?" (Charles Handy). Also included is a brief question-and-answer exchange in which four of the symposium participants share their views on diversity and management. (MN)

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The Conference Board

Report Number 994

*75th Anniversary Symposia Series*

# In Diversity Is Strength: Capitalizing on the New Work Force

Senior executives conclude:

- *changing demographics require new employment strategies*
- *senior executives must foster diversity awareness*
- *benefits of diversity outweigh challenges*

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## About The Conference Board

Founded in 1916, The Conference Board's twofold purpose is to improve the business enterprise system and to enhance the contribution of business to society.

To accomplish this, The Conference Board strives to be the leading global business membership organization that enables senior executives from all industries to explore and exchange ideas of impact on business policy and practices. To support this activity, The Conference Board provides a variety of forums and a professionally managed research program that identifies and reports objectively on key areas of changing management concern, opportunity and action.

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## In Diversity Is Strength: Capitalizing on the New Work Force

*Symposium sponsored by Amoco Corporation, Sears, Roebuck & Co., and United Airlines, Inc.*
*Edited by Judith Alster, Theresa Brothers and Holly Gallo*

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**Editors' Acknowledgments**

The editors would like to thank Arlene Johnson, Director of the Work Force Program at the Board, for her assistance with this report and Rosalyn Farinella for her time and effort.

# From the President

This is the third report in a series that marks the 75th anniversary of The Conference Board. What is remarkable is not that span of time as much as the constancy of purpose the Board has maintained in those 75 years. Its mission has not strayed from its course: to improve the business enterprise system and to enhance the contribution of business to society.

During the fall of 1991, The Conference Board held five Diamond Jubilee Symposia to celebrate that history. Sponsored by Conference Board Associates, each Symposium dealt with a priority issue area—total quality management, business-education partnerships, diversity in the work force, corporate environmental excellence, and global management.

Based on the third Symposium, "In Diversity Is Strength: Capitalizing on the New Work Force," this report examines the dynamics of the work force, a topic which began The Conference Board's research 75 years ago. Today, the Board remains committed to this area of study as changing demographics and values dramatically alter the competitive environment in the United States and abroad. In this report, senior executives discuss how their companies are anticipating these changes and making strategic use of an increasingly diverse work force.

The Conference Board is grateful to the speakers and participants who shared their experiences and ideas. We especially thank Amoco Corporation, Sears, Roebuck & Company, and United Airlines for their sponsorship of this Symposium.

PRESTON TOWNLEY
*President and CEO*

# Executive Summary

In Diversity is Strength: Capitalizing on the New Work Force" was the third in The Conference Board's series of Diamond Jubilee Symposia held in the fall of 1991. Top executives from major U.S. corporations told how their companies are dealing with and capitalizing on the massive and largely unforeseen shift in demographics in the United States and abroad. The consensus was that these changes are shaking the country out of complacency. Speakers cited diversity awareness workshops, CEO and senior-level involvement, and a little friendly persuasion as ways of turning this challenge into a long-term benefit.

Delores Wolf, American Airlines' former Vice President of Personnel Resources, acknowledged, "Lack of resources is a new thing for the United States. What will happen to productivity and profitability during this period of unprecedented change? What is the proper role of corporate America?"

At Allstate Insurance Company, Chairman and CEO Wayne Hedien has put in place a Diversity Action Team which represents every level of senior leadership as well as all business units. This team is developing strategic plans for managing diversity. Seeing diversity management as a process, not an "overnight trailblazing program," is essential to succeeding at it. At Allstate's board of directors meetings, managing diversity is treated on a par with financing, technology and public policy.

Richard D. McCormick, President and CEO of US WEST, Inc., disagrees with those who think that if a company simply does its best to hire a diverse work force, "the cream will automatically rise to the top." McCormick believes that work force discrimination is "alive and well and insidious, whether it is intentional or not." He discussed in detail his company's no-holds-barred approach. Awareness workshops, which started 15 years ago, along with stated deadlines, friendly persuasion, decrees and a few ultimatums have significantly opened management ranks to minorities and women.

***The Work Force Symposium was one of a series of five Diamond Jubilee Symposia held in the fall of 1991 in celebration of The Conference Board's 75th Anniversary. Each dealt with a different priority issue area for business. Sponsored by Conference Board Associates, the Symposia featured individual presentations, panel discussions and question-and-answer sessions. Proceeds from the Symposia will be used to fund Board research. The others in the series are "Leadership and Empowerment for Total Quality," "Saluting Corporate Achievements in Education Leadership," "Business: Championing the Global Environment," and "Corporate Strategies for Global Competitive Advantage."***

There was wholehearted agreement that it is primarily the task of the CEO—not of a management team, the board of directors, or the human resources department—to make it clear that discrimination will not be tolerated. Lawrence Perlman, President and CEO of Control Data Corporation, strongly believes in communicating values, letting people know why diversity is desirable, reviewing progress, and linking bonuses to objectives. Perlman told his audience how a comprehensive program of family-friendly benefits, active discussion of diversity issues, and a redirected corporate contributions program have all enhanced diversity and have helped make Control Data a more customer-oriented company.

Charles Handy, author of *The Age of Unreason*, had both praise and criticism for U.S. corporate behavior. The good news is that some employers are realizing that many workers do not need to be in an office from nine to five, Monday through Friday, to be productive. Some employers, however, still have not learned that breaking a task into simple, easy-to-master steps does not provide the work satisfaction human beings crave.



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# Whither the Work Force?

**Delores Wolf**
*Former Vice President,*
*Personnel Resources*
*American Airlines, Inc.*

Our topic today—Capitalizing on the Changing Work Force—couldn't be more relevant. In survey after survey executives are citing work force issues among their top concerns: from how to pay for health care costs, to how to train the growing number of unskilled and under-educated applicants, to how to manage and capitalize on a work force that is an increasingly varied mix of race, religion, culture, sex and national origin.

### Confronting Diversity

I walked into my bank branch last week and in one single image saw the changing work force already in place. Of the ten tellers, four were black, three Hispanic, two Asian, one white. Six of them were women. For at least half the group, English was a second language. The manager of that diverse group has an enormous challenge and an opportunity to recognize that past assumptions about motivation and interaction are no longer valid, that there are cultural landmines to be negotiated, and that the issue of sex in the workplace is real and makes very big headlines. The manager who recognizes and relishes change and capitalizes on new ideas that stem from such variety will be a formidable force in the future.

There was once an era when American industries were being built on the premise of unlimited natural resources—not only timber, minerals, petroleum and clean air but also people resources—a seemingly endless supply of people, available and eager to work in any capacity required. Our social institutions, although not yet mature, were sufficiently developed to guarantee a steady stream of able-bodied, dependable, basically white men upon which our emerging industrial complex was dependent.

What were the forces and events that began to change this picture, and at the same time began to challenge some of our assumptions? First, there was a shift in the nature of work in this country as our economy evolved from largely agricultural to industrial, a shift that continues as we now increasingly move toward being technical and knowledge-intensive. There was the migration of youth and blacks from the farm and the rural South to the cities. There was World War II and the large number of women and blacks who all at once entered the work force as factory workers, military personnel and government administrators. There was civil rights legislation and the birth of affirmative action. There was the decline in birth rates after 1960 and the rapid growth of the American-Hispanic population—five times that of non-Hispanics. There was the broadening of civil rights legislation to include women and Hispanics, and the growth of the dual career family, and more.

In 1987 we found ourselves both riveted and skeptical in response to the Hudson Institute's groundbreaking study, *Workforce 2000: Work and Workers for the 21st Century*. The study documented the demographic and labor force changes that were affecting the way America conducted its business and ultimately its ability to compete in a global economy. We read that white men will account for only 12 to 15 percent of the positive net change in the labor force between 1988 and the year 2000. We read that between now and the year 2000 approximately 85 percent of all new workers entering the labor force will be women, minorities and immigrants. We read that the proportion of youth—our typical entry-level worker—would shrink from 19 percent to 16 percent by the year 2000; that among whites 18 to 21 years old, nearly 14 percent have dropped out of school (among blacks that rate is 17.5; among Hispanics it is 29.3 percent).

Today, about one-quarter of all children are born out of wedlock to parents who are poorly educated, young and unskilled. Yet an average of 10,000 degree-holding scientists and engineers emigrated to the United States every year between 1966 and 1984, and more than half of the U.S. engineering Ph.D.s in 1986 went to foreign-born candidates.

### A Brave New World of Work

Ironically, this convergence of factors is confronting us at a time when we're being forced to abandon the traditional industrial model of "tall" organizations in favor of service-oriented models. In the latter, jobs are broader and more integrated, while the span of control is greater and teamwork is critical. The American worker in this new model is committed, takes responsibility, works independently, responds well to pressure, is knowledgeable, and competently uses a variety of technological tools to support problem solving. The American worker, it is said, will be the deciding factor in our ability to compete in world markets.

Can we do it? Perhaps the end of every century is a time for reflection, accounting, and no small amount of hand-wringing. But clearly these are hard challenges for U.S. companies. Lack of resources is a new thing for us. Where will you find 50 qualified engineers to start a new project next month? Are you willing to teach English to skilled immigrant professionals? Where will you find 50 entry-level people to open a new retail store? Are you willing to teach them rudimentary English to improve customer service? Just how much training is your organization capable of and willing to do? How are you going to manage all these diverse groups, these people working together in one of your shops or offices? Will you throw them together and hope for the best? Is the unexpressed expectation that they will adapt without the organization itself changing significantly? What happens to productivity and profitability during these periods of unprecedented change?

It is also clear that an enormous social responsibility is shifting to business as a by-product of these demographic phenomena. Corporations may see themselves in the uncomfortable role of "cradle-to-grave" involvement in early education, day care, employee assistance, counseling programs, midlife retraining and elder care.

Given all of these challenges and questions for business, we must ask ourselves, "What is the proper role for corporate America today?"

# Managing Diversity: A Full-Time, Top-down Commitment

**Wayne E. Hedien**
*Chairman and CEO*
*Allstate Insurance Company*

I'd like to discuss Allstate's vision of diversity and our experience in managing it in the workplace. The word "diversity" is pretty controversial in and of itself, and we've had many discussions on exactly what it means. For one thing, it's obvious to us that managing diversity is not just a work force issue; it is a business issue. Affirmative action is a work force issue; managing diversity is a competitive issue. It's a competitive and a business issue because it touches both customers and employees.

For some time now we've had a Diversity Action Team in place at Allstate. It's made up of 20 managers, officers and directors of the company who represent every level of senior leadership as well as all our business units. The team is responsible for developing a strategic plan for managing diversity. While I have no specifics for you yet, I would like to share some observations and ideas. We believe these observations are fundamental to understanding diversity in corporate America.

We're in the midst today of an extraordinary revolution. For much of this century, America was a homogeneous culture. Mass production, mass marketing and mass media are changing that now. In the media, for instance, dozens of cable channels have fragmented the television audience and cut network viewership tremendously. In marketing, computers have helped companies categorize consumers into smaller and smaller target groups. In education, debates over multiculturalism and political correctness have split student bodies and faculties alike. I suppose it could be called "the unmelding of America." These new technologies and trends reflect not only the obvious demographic facts about our very heterogeneous society, but also raise an important question about the relationship of individuals, and of groups, to the larger culture.

In today's America, how can we promote common goals and the common good while still being able to retain and enjoy our individual differences? It's a difficult question. Yet America's institutions—our government, our schools, our legal system—must confront it. Business is no different. We must confront it, too, and the answers are not likely to come any easier or faster for us.

### What Action Teams Know

Our action team has made a number of observations. One is that diversity involves much more than just race and gender. We know that 85 percent of new jobs created during this decade are going to be filled by minorities, women and immigrants. But what about the fact that at the end of the 1990s, 20 percent of the work force is going to be aged 45 to 54? Or the fact that over the past 20 years, the percentage of children living in single-parent households has more than doubled? Or the fact that more than half the men in one survey said that they'd take a pay cut in exchange for more family or personal time? These are all measures of diversity, too, and they reflect issues and concerns that can affect performance in the workplace.

The point is, we are all different in many ways. If we focus on only one or two factors, we're going to miss the point, which is to help every employee make maximum use of his or her talents. In a world where the labor pool is shrinking, the competition tougher, and the customer more demanding, no company can afford to squander its human resources, or to manage for anything other than competitive advantage.

Companies like ours are focusing more intensely on the customer than ever before. It's important to remember that we cannot value diversity in our customers

unless we value diversity in our employees first. Our employees are the ones who serve our customers. Just as marketers talk about targeting "segments of one," managers have to focus on employees as individuals, each with unique abilities, expectations and limitations. At the risk of oversimplifying a very complex issue, we believe that if we do a good job of managing people at Allstate, we'll do a good job of managing diversity, and vice versa. So we give our managers the skills and tools they need to manage a diverse work force, and our policies and procedures address the changing needs of employees while ensuring that the job gets done.

Different skills are needed for different tasks. From a manager's viewpoint, managing diversity at Allstate means being family-friendly and company-friendly at the same time. It's a difficult balancing act. It boils down to managing change, and in the 1990s that is what a manager's job is really about.

### Not Built in a Day

Another observation is that managing diversity is a process, not just a program. Diversity isn't managed according to strict statistical guidelines, nor achieved by creating some new, overnight structure in your organization. In that respect it differs from something specific and quantifiable, such as affirmative action. Diversity focuses less on trail-blazing and more on getting rid of barriers, continually, one by one.

Some barriers are obvious, most are unintentional, but all have to be overcome before we can really work together. Beyond that, we have to unite different groups in the pursuit of a common goal. In our business, agents and underwriters can be as different as any two socio-economic or ethnic groups; yet they realize that if they don't work together, quality will suffer and customers won't be satisfied. So they are learning not only to tolerate but also to value what each of them brings to the process.

Our experience at Allstate has convinced us that managing diversity demands a real commitment from the top levels of the organization. Because we're talking about changing behavior as well as procedures, leaders must reinforce this at every opportunity. At Allstate we pay special attention to managing diversity at our board of directors meetings. It is one of the six strategic initiatives that we give very special attention to. That puts it on a par with finance, technology and public policy. In fact, in November we held a country-wide teleconference of all our officers, managers and directors on this issue. And to guide our communications efforts, we're now surveying about 5,000 of our employees to get a baseline idea of their understanding of diversity as a business issue.

In the end, we're talking about redefining the concept of leadership in corporate America and refocusing our relationship with our employees. It's a change that holds tremendous power and promise because managing diversity well means shifting the emphasis from conforming to contributing, from limiting our aspirations to leveraging our assets, from concentrating on obstacles to capitalizing on our opportunities.

Finally, most companies like Allstate have a statement of their vision. Ours, simply stated, is to be the best. But visions are only dreams unless they are backed up by action. There is action at Allstate because we understand that managing diversity really is making a true difference.

# Making Sure Diversity Works at US WEST

**Richard D. McCormick**
*President and CEO*
*US WEST, Inc.*

Many CEOs have told me that the key to the entire diversity issue is just to hire people without regard to race or sex or place of national origin, and the cream will rise to the top.

I'm one CEO who thinks they're wrong—that diversity doesn't triumph by just opening the doors on the ground floor. Work force discrimination is alive and well and insidious. Sometimes it's intentional and sometimes unintentional. The Labor Department's study on the "glass ceiling" pointed out three unintentional methods of work force discrimination: word-of-mouth recruiting, lack of access to management development training for women and minorities, and the failure of executives and top management to really promote the advancement of women and minorities. I'm convinced that this last point is the key: concerted, continuous effort by top management. The tone has to be set by the CEO, by words and actions.

When I was CEO of Northwestern Bell, we had many years of good work on affirmative action and equal opportunity. We moved people well in the corporation and saw a lot of progress in our business. The specific terms were set by a consent decree that involved AT&T, but the tone of our corporation was set by my predecessor, one of the finest executives I've ever known. Most of the managers said the right things, and had their hearts in the right places, but the old habits lived on in our company. I recall asking one of our officers why I still didn't see any black employees in his department. He told me that they couldn't find any. I then said that I wouldn't find his bonus until he did. Not surprisingly, within about six months he found two qualified blacks.

We had many workshops in both racial awareness and male-female awareness issues, some as long as 15 years ago. These were intensive, four-day workshops where we really exposed the raw feelings that people have about these issues. The reason is to expose bias, to make people aware of their cultural baggage. This process in our company was voluntary until around 1982. I ran out of volunteers, particularly some officers who never could quite find it in their schedules to get there. In frustration I made it a condition of employment for middle and upper managers: It was amazing how much time suddenly became available.

### Where Are the Women?

Something else occurred in 1983, when I was president of the company: We have many people in many service clubs that do a lot of good work—Kiwanis, Rotary and others. It just so happened that only men were members of those clubs. We were the largest employer in several states. I was bothered that those organizations were overlooking about half the talent in the community. We urged reform and got nowhere. Finally, I issued a decree in our company saying that we would no longer sponsor memberships in those organizations that discriminated against people on the basis of sex, race—or any other reason. Many of our employees involved in those organizations pressed for reforms. I don't think it was entirely our action alone that made all the difference, but very quickly we saw those organizations really open their doors and change.

A few years ago when I was starting to feel very good about our company's progress in these areas, a group of black women came to me and told me about some statistics I had been overlooking, namely, that their chances of joining our company and being promoted to what we call the district level or the director

level was about 1 in 250, while the chances of that happening for a white male was about 1 in 15. It was an interesting eye-opener for me. Then, black women represented 9 percent of our employee body, about 4 percent of our middle management, and 2 percent of our upper management. Today, black women still constitute 9 percent of our employees, but 6 percent are in middle management and 4 percent are now in upper management.

In all these cases, "waiting for the cream to rise" just wouldn't have worked. The CEO has to set the tone with actions, not words. It's not easy.

### Diversity's Realities

I am frequently criticized for spending so much time on these "soft" issues because financial performance of the company and customer satisfaction are "more important." It's hard to educate managers in this process. About 85 percent of people coming into the work force in this decade will not be white males. In a global competitive environment, we have to tap all the resources—both natural and human—that are available to us. Diversity is one of our six "priority business strategies" as well. There is some self-interest here; it's the right thing to do and it's also good for business. It involves working with the community, with minority youth, with our educational system, and very aggressively working with women- and minority-owned businesses.

Another difficult aspect of this issue is that expectations are rising. Fifty-five percent of our employees are women; 48 percent of our managers are women; 30 percent of our middle managers are women; and 15 percent of our officers are women. I'm pleased with those statistics, compared with those of the past. Moreover, 15 percent of our employees are black; 13 percent of managers are black; 11 percent of middle managers and 8 percent of our officers are black. Again, I feel quite good about those statistics. Yet when I talk to employee groups, they ask why these opportunities are not coming more vigorously and more quickly in our company, and why we have the barriers that we do.

These questions remind me of some other statistics. When you look at the proxy statement of the company, zero percent of the people listed there are women or black—and zero percent of the CEOs. I think it's a continuous process that requires dedicated work until those numbers really reflect society.

### High Risk, High Reward

Despite the risks, the rewards are great. Through diversity, we're better listeners. If we're better listeners to one another, we'll probably be better listeners to customers. We make better teams because when a diverse work group gets through working out the interpersonal problems, I believe they can tackle anything. Diversity includes a variety of viewpoints, too. Our company used to be made up of a lot of engineers and financial types; but over the last 10 years we've hired many scientists, marketers and others, all to our benefit. Another reward is a better reflection of the marketplace. A diverse group does explore issues better than a group whose members all come from a similar background.

I used to think I was a fairly open-minded person. On my first job at AT&T, I hired the first black technician in Omaha, Nebraska, and successfully dealt with a lot of stereotypes in the workplace and tried to make that environment right for that employee. As a district manager in Minneapolis I counseled the first woman in a technician's job. She was on an all-male work crew—a very hostile environment where she was kidded unmercifully. This was in 1972; I counseled her to stay on and to fight through it. I also told the people she was working with that we weren't going to tolerate that kind of environment. (I've had to clean up my language and the way I behave, too.)

The result of these diversity efforts is a stronger work force. With diverse ideas, we're positioned to attract good people. I'd put our company up against anybody's as an environment that's friendly to women and minorities and all the other people that make up this diverse workplace. We have an environment where people can succeed. The officers and the managerial teams are stronger in our company.

In time, I hope the profile of our company will reflect society in general. We're going to be better team players and better listeners; we will communicate better with employees, customers, vendors and international suppliers. I think I'm going to be stronger in terms of relating to women, blacks and other minority members on my team. I look forward to the day when one of those people holds my job because that is when we will have arrived at US WEST. To me, a company that can unleash that kind of human potential is a company where a young person would want to work and where an investor would want to invest.

# Turning Diversity Into Opportunity

**Lawrence Perlman**
*President and CEO*
*Control Data Corporation*

I am relatively new as a CEO, and my task is to turn around a company that's been in a great deal of difficulty. We're changing Control Data from an inward-looking engineering company to a services company that applies technology and focuses on the customer. Diversity can be one means of effecting this kind of change in an organization.

In 1992 Control Data, for the first time, will be included on the Fortune 100 list of the largest service companies in the country rather than on the Fortune 500 list of manufacturing companies. It's an important "marker" event for us in the reshaping of the company.

The shift from creating technology to creating solutions has fundamentally changed the demands on the people of Control Data. Employees now have a new role to play that requires different perspectives, fresh approaches and new skills. The technical skills and professional competence which tended to be the limit of people's capacities in the past, while still important, are no longer enough. We need the whole person as we forge long-term relationships with customers as a services company. That's why diversity in its broadest sense is so important to us.

I view diversity as a concept that values the entire individual as well as the differences that make each of us unique. It isn't affirmative action with its idea of helping people who are disadvantaged. Affirmative action is a workplace issue; diversity is very different because it recognizes that people from diverse backgrounds are the helpers. Companies aren't helping them; they're helping companies to succeed. This has been the fundamental change in the way we look at these issues.

We need the breadth of experience that comes from a diverse group of people to survive and prosper in an interconnected and rapidly changing world. It is those individual differences that allow for a breadth and depth of perspective, of point of view, and of the empathy necessary to understand the needs of customers. At Control Data, we are trying to create a series of businesses that enter into long-term service relationships with customers and maintain those relationships for a long time. To me, then, diversity isn't just a program; it's a way of approaching the management process.

The demographics of Control Data's work force and its customer are changing. There are more women, more blacks and other minorities, and more cultural diversity in the organization. There are many more single parents, many people for whom English is a second language, and more people with non-traditional lifestyles.

To attract and retain the people we need to help us grow and prosper, management has to reflect the new demographics of the work force. If we don't, we won't get highly qualified, non-white, non-male M.B.A.s or salespersons to join a company, department or division where every manager is a white male. They will see not opportunity but a glass ceiling. As the prospective customer base becomes more diverse, as we move from a company that makes large computers with 1,000 customers to a company that provides a range of services with hundreds of thousands of customers, we need to have the advantage of being represented by women, by ethnic and racial minorities, and by people of different cultural legacies because that's who our customers are.

### The Benefit of Disagreements

We have to turn diversity into an opportunity. It isn't easy. It brings a certain degree of chaos to an organization. It creates tension, disagreement and discontent, but without differences of opinion and perspective, however they may arise, you risk having an environment where everybody thinks alike, acts alike, and comes to the same conclusions. That's what got us into trouble in the first place. Control Data needs to be more, not less, adaptive because if not, we will become noncompetitive. The only thing we can depend on now is change.

We have to keep up with the pace and direction of that change in our market or we won't make it.

The passing white male order was hierarchical and authoritarian. It was derived from the military model which dominated corporate life for so long. "Chain of command" is a military term that got easily and quickly moved into the corporate world. As this model is replaced by flattened organizations, empowered employees, broader spans of control, self-directed teams, and much greater diversity in that work force, all the players need help in becoming comfortable—or at least less uncomfortable—with the inevitable pain that change can bring.

My fundamental role as a CEO is to articulate vision, direction and strategy for the company, to assemble a team that can carry out that strategy, to be sure that people understand where we're going, and then to get out of the way. At Control Data, however, building diversity into the way we manage is a change, and change doesn't just happen. You can't assume that a few speeches will make things happen; it is the result of leadership. I try to lead this change by communicating values, by letting people know why diversity is good business, by reviewing progress, by making sure that bonuses are related to the achievement of objectives, and by trying to be a model of appropriate behavior.

At every opportunity I try to explain how diversity is integral to my vision of the company's progress, and explain that we promote diversity not because I think it's a good idea or because it represents my own values, but because it's good business. Part of my role is recognizing that managing a diverse work force is a very different experience for many of our veteran middle managers. Continuous communication is important to maintaining awareness of the benefits of diversity. It also supports those who are out there every day dealing with that issue.

This year Control Data began a very active program of discussing diversity issues. I've been meeting regularly with employees, including groups of Asians, blacks, women and white males as a means of hearing their concerns and finding out what's on their minds. We're encouraging these groups to develop networks for support and information exchange; I've asked my management team to become similarly involved. Notice I've included white males: Within groups that we conventionally think of as homogeneous there is really tremendous diversity, and it is a great aid in helping a white male manager who for the first time has a woman or a minority member working for him.

Because we see diversity as a way of expressing how much we value each employee, we've designed employee policies and benefits for the "whole person" at work and at home. We have a range of family-friendly benefits—family leave, financial support for adoptions, flexible hours. We have an employee advisory program—EAR—which is available to employees and their families for help with personal problems around the clock. This is, incidentally, a business we're successfully marketing to a number of companies. It is interesting to see the kinds of issues that come up in an increasingly diverse work force. Many of our people now are entering the "sandwich generation" where they have concerns about their children and about their parents. We've added a number of services for elder care to deal with this issue. We have policies and programs in place for trying to resolve a number of work force issues, including sexual harassment.

**Redirection Where It Counts**

Our corporate contributions program was redirected last year as a result of work with a number of representative employee groups so that we now focus on family and work life projects and agencies. We recognize that problems at home need attention if people are to be effective on the job. This inclusive concept of diversity is sound business policy for us; it is necessary to help us turn Control Data around, to make it a customer-oriented service company. And it's starting to work.

Nothing troubles me more than the tragedy of unfulfilled human promise. We are all children of immigrants. This country was built by people who wanted to use all their potential. To a great extent the difficulties we now face as a nation result from our inability to take advantage of the enormous potential which exists in so many of our people. If we're going to solve these problems, we need to create an environment where all human potential can be realized. That's where businesses can be a leader. That an action can be both good business and the right thing to do is reflected in a comment made by Martin Luther King, Jr., who said that God has two outstretched arms: One is strong enough to surround us with justice and one is gentle enough to embrace us with grace. We must be tough-minded enough to transcend the world and tender-hearted enough to live in it.

Many of us who have enjoyed success and achievement in business have had advantages which others have been denied. We have great power in business to level the playing field and then to build better, more competitive teams. The role of senior management is to lead by example, and to make a difference in creating a diverse work force.

# Diversity: Questions and Answers

*Q: Isn't managing diversity just old wine in a new bottle? If not, what's different about it?*

**McCormick:** I don't think about managing diversity; I don't even think about equal employment or affirmative action any more. We think in terms of pluralism and diversity—creating a work force that reflects our customers and society. It's a little different from old wine in a new bottle; it's a larger, more positive idea that is not numbers-driven. We have other motives, such as being fair with people and improving our business by understanding our customers.

*Q: If a company does a good job of managing people, will it inevitably do a good job with diversity as well?*

**Hedien:** Yes. Times have changed, and we have to lead and manage people very differently. The organization is flattening and people are working in teams. You've got to recognize everyone's individual potential and make the most of it. That's your real competitive advantage.

**Perlman:** I agree that a diverse work force requires strong management skills and some differing perspectives. For example, we have to deal with the reality that a manager who considers himself totally unbiased will still promote somebody just like himself rather than somebody different with equal skills.

*Q: Do you see a fear on the part of your managers that promoting a certain person presents greater risk, such as greater backlash if the person fails?*

**Perlman:** We're trying to create an environment where managers feel that they're better off if they can learn to manage and promote a diverse work force. But we needed to change how we measure a successful manager. Successful managers are now those with diverse group working for them.

*Q: Should training about sexual harassment be part of a company's diversity efforts? What are the lessons to be learned from the Anita Hill charges against Clarence Thomas?*

**Wolf:** From my experiences in human resources, sexual harassment cases should never be investigated publicly. The risks for both the accuser and the accused are so grave that investigation should be done only under the most discreet and carefully controlled circumstance. The victim should have a third party, not the boss, to go to with the complaint. This probably should be a human resource function. In addition, the company must have a written policy statement.

**Perlman:** Managers throughout the organization must be models of appropriate behavior. Employees have to see senior managers—men and women—working together in mutually respectful relationships.

*Q: Do you have any evidence that your diversity efforts have made your company more competitive? What has been the reaction from your markets—customers, shareholders or board of directors?*

**Perlman:** I have no hard evidence, but I am convinced that the businesses that seem to be making changes are becoming more successful and are doing better in their marketplaces.

# Will Diversity Win?

**Charles Handy**
*Author of* The Age of Unreason *(Harvard Business School Press)*
*Visiting Professor of the London Business School*

To those of us who live across the Atlantic, America has an enviable capacity for turning its back on the past. It has a self-confidence which I hope it maintains. Everyone is going to need it.

When I arrived at O'Hare Airport here in Chicago, I was confronted by the most amazing mix of humanity that I've ever seen—all colors, sizes, languages, shapes, types of garb. I thought, "What a challenge!" In diversity there is freedom, but it is difficult to make the most of that freedom.

Organizations all over are slimming down, and it's about time. Most organizations are grossly over-staffed, over-managed and under-led. The chairman of a giant pharmaceutical company gave me his formula for success recently: Half by three by two in five years—meaning half as many people, producing three times as much work, paid twice as well because they are the best.

### Proceed With Caution

I see successful organizations doing just that; but it does cause problems. The survivors of those staff reductions work twice as hard, haven't seen their homes in daylight for the last six months, and have forgotten their eldest child's birthday. When you're selecting people for that group, it's going to be "people like us," isn't it? And you're going to exclude any "inconvenient" people, like those who can't work 70-hour weeks or Sundays.

This leads to the loss of possible talent. Recently, we had a call from a friend, a vice president from one of Chicago's leading institutions who's just had her second baby. It was suggested to the organization that a three-day week would be a decent way to combine the two responsibilities. They said, "No way!" You exclude potential talent of all sorts if you take that route.

This creates a sort of "group think" phenomenon. Groups that work closely and intensely together think together. That's wonderful, except that they're not terribly open to new ideas. I tell group leaders that it is important for them to walk in other worlds, to know what other people think, to experience diversity of all sorts. But these people have no time for diversity. "Group think" is an endemic disease of downsizing.

Worst of all, I'm afraid of the possibility of a divided society with rich and poor ghettos. I see the possibility of the rich getting richer and the poor getting poorer if we go down the road of "a few people like us working very hard, producing a lot of value and the rest outside." I call it the British-India route. The British ran India once, with 2,500 Britons in a country of 600 million. They were a class apart and, ultimately, a class that was pushed out. "People like us" can be a dangerous route to follow, particularly when there will be fewer people like us in the decades ahead.

Reductionism is also a problem. For the last 50 years, we've been applying the principle of reductionism to our organizations. Reductionism means reducing everything to its smallest parts. You polish, perfect and specialize those parts, and put them together again. Sometimes it's called deconstructionism. Applied to education, literature and philosophy, it has been damaging. Applied to organizations, it has been equally bad.

About 15 years ago in Detroit, one of the auto manufacturers boasted to me that they could take anybody off the street and teach them to work on the assembly line in 90 minutes flat. Their labor turnover rate, not unnaturally, was 85 percent a year. By reducing the job to its minimum, they turned the workers into interchangeable human parts.

I was once an interchangeable human part. I was given a big-sounding job title, "Regional Marketing Coordination—Oil, Mediterranean Market, excluding France." This job title was stamped in brass letters on my wooden office door. Underneath was a little slot for a plastic slip which said "Charles Handy." However, I

was merely an interchangeable part; the job didn't give me a sense of individuality or a sense of wanting to contribute to this organization.

Interchangeable human parts have a negative influence on an organization. Young people today say that they don't want to work in high pressure organizations. The brightest and best say that our organizations are too greedy and take too much of their lives. They want a life outside the organization. Other young people say that they don't want to work in "Corporationland" because there is no room for any sort of diversity there.

The good news is that we're moving towards flexible organizations. Some of us have discovered the amazing truth: Not all the people have to be in the same place at the same time to get the work done. People can work at home or be with customers. Offices should change their nature to match this truth, because offices are an expensive fixed capital investment. Most of them go unused for about 120 hours out of 168 hours in the week. You wouldn't run a factory like that.

A managing director in England asked me to redesign his offices. I noticed that nobody was there. The director explained that the staff members were out with customers and suppliers, and they were really in the offices only one day a week. I suggested that he turn the place into a working club, a place for meetings, eating and greeting but not a permanent, fixed abode.

We need to entirely rethink the way we run our organizations to make them more flexible and to allow people to contribute their work when and as they want to. We're beginning to do that in some quarters. We're also beginning to realize that we don't have to buy the time of all the people whose work we need. How they manage their time is their business, as long as they produce products or services on time and up to quality. More and more organizations are doing this.

A flexible organization leaves more room for more people to get involved in different ways. Instead of resources being concentrated on a few people, money can be spread more widely. If a school takes its rather limited budget and buys the whole time of a small number of teachers, they're restricting the choice and variety for the students. Why not spread the money a little more thinly and buy bits and pieces of more people as and when they're needed? When that happens, and it is starting to happen, you can get more diversity in all sorts of organizations.

Holistic organizations are also good news. Organizations are moving away from reductionism and are actually beginning to realize that they need to create clusters or teams of people—sometimes even one individual—to represent the organization. They are a microcosm of the whole organization and have the power to deliver the organization to certain tasks, to certain clients, in a certain region. It looks expensive because it duplicates resources, but it makes employees wonderfully satisfied, particularly when rewards are tied to results.

The way to use diversity and make it positive is to have a goal that overrides the differences. That's what happens when you have clusters small enough, purposeful enough and trusted enough. It's not new. The Roman Catholic Church has always worked that way. The parish priest is supposed to represent the Pope in his little patch. At its height, the Roman Empire used the holistic method of organization. The Proconsul of Britain acted as Caesar Augustus in Britain, with all his power and responsibilities.

But how do you control these organizations? The Roman historian Tacitus tells us that when Caesar watched his British Proconsul march out of Rome, he could only hope that the Proconsul "carried Rome in his heart." You run these organizations by making sure that the clusters share your values and your definitions of success, and by trusting them to act on your behalf. When you do that, diversity is enriching; differences don't matter. Organizations are finding they must accept diversity because the world isn't the same everywhere.

### Growing Responsibilities

The boundaries of the organization expand beyond the parking lot. We finally understood that they must reach into the customer's home; and now they've got to reach into society.

Last year I addressed 1,300 human resource directors from South Africa. For three days, not once were the words "profits" or "bottom line" or "market share" uttered. They were talking about the creation of a new South Africa and what business had to do to make it happen, so the agenda included topics like education, health, housing, transportation and AIDS. It was very stirring. Upon investigating how their black workers lived, one firm discovered that they lived in shacks and had to get up at 4:30 A.M. to arrive at work by 8:30. No wonder their productivity and energy for training was low. It didn't take much to solve this problem: just add on a bus or two and improve the housing a little. The solutions were simple, but first the organization had to reach out beyond its boundaries. We shall have to do the same. We cannot wait for government to do it.

Learning doesn't stop at the school gates. Above all we have to turn our organizations into exciting places to experiment and learn. I asked the Japanese how their managers succeed without going to business school. The answer was, "self-enlightenment." Every young Japanese manager gets an allocated budget of money. It is up to the manager to learn what he needs to thrive in the organization, from correspondence courses or whatever. So it goes on throughout life—a personal budget to invest in learning.

It's not training, it's not my telling you how to be a better instrument for this organization. I invest money in you to develop yourself because that will be good for us. I persuaded an advertising agency to allocate their training budget to their staff. The staff used it for all the courses that we'd been trying to get them to take for years. Now people were getting in line because the contract had changed. It was now "our investment in you."

Because people don't get promoted quickly in Japan, I asked the Japanese what they did with the really good workers. The Japanese explained that they have a fast track, but it's horizontal. If an employee is really good, they move that person faster than normal (into clusters and work assignments and under different bosses). The employee has the same mentor but different challenges. This helps people not only discover their talents but also build networks.

Let every incident be treated as a case study for learning, a method called "incidental learning." Every cluster should sit down once a week and review successes and failures. Boasting is definitely allowed, and mistakes should be explained and forgiven. It's actually the way many professionals work; doctors and lawyers share their case loads with each other and solicit each other's advice. Incidental learning is a wonderful way of bringing out the best in everybody's cluster.

The last tip: Everyone in society and particularly in our schools should change their definition of intelligence. Research at Harvard School of Education has demonstrated that seven different types of intelligence, maybe more, can actually be identified and measured. There is 1) analytical/linear intelligence—the sort tested in traditional exams. These allow people to reason, remember and control facts; 2) spatial intelligence—the sort that sees patterns in things. This is found in entrepreneurs, computer programmers, artists, mathematicians; 3) musical intelligence; 4) physical intelligence—the ability to dance, kick a football, hit a baseball; 5) practical intelligence—people who can take a catalytic converter apart and put it together again but couldn't possibly spell the word; 6) psychic intelligence—the quiet person, often the handicapped person, the poet, the person watching the room from over there in the corner who figures out the truth; 7) and interpersonal intelligence—the ability to get things done with and through people.

None of these intelligences is necessarily related to any of the others. For example, at the London Business School, interpersonal intelligence is the one we look for above the others. But it has no correlation to any scores on any tests that the academicians ever give us.

I believe that every single individual in this society is intelligent in at least one of those ways. It should be the duty of our schools to discover that way and to prove it to youngsters so they may leave school self-confident, knowing that in one way or another they are intelligent, worthwhile human beings. It is then the duty of our organizations to fit that type of intelligence into the work that we have to do. If we were able to do that, diversity would indeed be a strength.

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